



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Dan L. Crippen, Director

August 29, 2002

Honorable John M. Spratt Jr.
Ranking Democratic Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Congressman:

As you requested, the Congressional Budget Office has prepared a summary of federal costs associated with the tragic events of September 11, 2001. This information is presented in the attached tables and is based on an analysis of enacted legislation, the President's budget request for fiscal year 2003, and legislative proposals considered in the House of Representatives.

Legislation Enacted in Response to September 11

As shown in Table 1, CBO estimates that legislation enacted to date in response to September 11 increased spending in 2001 by about \$3 billion and reduced revenues by \$0.5 billion. In 2002, we estimate a spending increase of \$34 billion and a net revenue decrease of \$0.2 billion. In total, over the 2001-2007 period, we estimate that the legislation will result in about \$76 billion in increased spending and about \$5 billion in lost revenue. (The estimated budgetary impact of the enacted legislation is negligible after 2007.) The amounts shown in Table 1 are CBO's current estimates of spending and revenue changes under the enacted legislation. That is, those estimates are included in our August 2002 baseline.

Most of the funding was provided in the form of three supplemental appropriation acts that provided about \$65 billion of budget authority in 2001 and 2002. The Department of Defense (DoD) received about \$30 billion of this funding, which is being used to conduct military operations overseas and to improve security at military bases and public buildings. The Federal

Emergency Management Agency (FEMA) was the second largest recipient of this funding at \$11 billion. That amount is mostly being used for disaster recovery activities in New York City and other localities affected by the events of September 11. CBO also identified about \$740 million in the 13 regular 2002 appropriation acts that was provided in response to the events of September 11. The largest of these appropriations was \$475 million for the creation of the Counter-Terrorism and Operational Response Transfer Fund within DoD.

In addition to the appropriations discussed above, several other laws have been enacted in response to September 11 that CBO estimates would increase direct spending by \$11 billion and reduce revenues by \$5 billion over the 2001-2012 period. Largest among these is the Air Transportation Safety and System Stabilization Act (Public Law 107-42), which CBO estimates will provide about \$11 billion in compensation payments to victims and their families and financial assistance to distressed air carriers. Another is the Job Creation and Worker Assistance Act of 2002, which will provide tax incentives for certain parts of New York City that were heavily impacted by the events of September 11.

Estimated Impact of Legislation Enacted in Response to September 11 on the CBO Baseline

The legislation identified in Table 1 also affects CBO's 10-year baseline projections because, for the purpose of such projections, all discretionary appropriations for 2002 are assumed to be repeated in subsequent years with adjustments for inflation.

Table 2 shows the estimated effects of legislation enacted in response to September 11 on CBO's August 2002 baseline. The content is the same as in Table 1 except that all discretionary appropriations for 2002 are continued through 2012 with adjustments for inflation. (Changes in mandatory outlays and revenues are the same as in Table 1.) On this basis, CBO estimates that legislation in response to the events of September 11 would increase projected baseline spending by \$497 billion over the 2003-2012 period, and decrease revenues by about \$5 billion over the period.

Alternative Projection of Costs in Response to September 11

An alternative projection, shown in Table 3, recognizes the fact that some 2002 spending, such as that provided by various emergency supplemental appropriation acts, would most likely not recur in future years, but would probably be supplanted by funding for proposed executive branch initiatives on homeland security and the war on terrorism. For the purpose of this estimate, we have used the President's 2003 budget request for discretionary programs and projected those amounts through 2012, with adjustments for inflation. (CBO does not have sufficient detail on the President's budget proposals for years after 2003 to identify how much can be attributed to homeland security and the war on terrorism.) Under this assumption, legislation in response to the events of September 11 would increase projected spending by \$443 billion over the 2003-2012 period, and reduce revenues by about \$5 billion over that period.

As a result of September 11, the President has requested additional funding in 2003 for activities to combat terrorism both at home and abroad. He has requested a total of about \$27 billion in nondefense funding to counter unconventional threats. This sum includes funding for domestic homeland security activities as well as additional funds for improving security at overseas embassies. It does not include any fee-funded activities, since these account for a negligible net impact on the budget. Based on data from the Administration, CBO estimates that about \$14 billion a year (in 2003 dollars) was spent on these activities prior to September 11. Therefore, CBO includes only the \$13.5 billion increment in this estimate.

In addition, Table 3 includes additional funds requested in 2003 for the Department of Defense. CBO identifies about \$24 billion of these funds as related to the events of September 11. Most of that amount is the roughly \$20 billion requested for the Defense Emergency Response Fund. Those funds would be used primarily for overseas military operations and security activities, as well as domestic combat air patrols. Based on data from the Administration's fourth annual "Report on Combating Terrorism" (June 2002), CBO estimates that an additional \$4 billion has been requested above pre-September 11 amounts in other DoD accounts for various homeland security activities. That sum includes funding for security at domestic bases and research initiatives of the Office of Homeland Security.

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Summary of Selected Cost Estimates for Legislation Related to the Nation's Response to the Terrorist Attacks of September 11

Table 4 summarizes the cost estimates that CBO has prepared for pending House bills that have been reported or ordered reported by committees and that are primarily related to the terrorist acts of September 11. Cost estimates that have only small components related to September 11 have been excluded. Because these bills are still pending and have overlapping costs, CBO has not included them in the estimates on the other tables.

If you wish further details about this information, we will be pleased to provide them. The CBO staff contacts are Matthew Schmit, who can be reached at 226-2840, and Matthew Pickford, who can be reached at 226-2860.

Sincerely,

Dan L. Crippen
Director

Attachments

cc: Honorable Jim Nussle
Chairman

TABLE 1. ESTIMATED SPENDING ENACTED IN RESPONSE TO SEPTEMBER 11
(By Fiscal Year, in billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	Total, 2001- 2007
CHANGES IN DISCRETIONARY SPENDING								
P.L. 107-38, 2001 Emergency Supplemental Appropriations Act for Recovery From and Response to Terrorist Attacks on the United States								
Department of Defense								
Budget Authority	13.7	0.0	0.0	0.0	0.0	0.0	0.0	13.7
Estimated Outlays	0.1	10.2	2.4	0.6	0.2	0.1	*	13.7
Department of Justice								
Budget Authority	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Estimated Outlays	*	0.1	*	0.0	0.0	0.0	0.0	0.1
FEMA								
Budget Authority	2.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Estimated Outlays	0.0	0.8	0.6	0.3	0.3	0.0	0.0	2.0
Department of Transportation								
Budget Authority	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Estimated Outlays	0.0	0.5	0.1	*	*	0.0	0.0	0.6
Other Agencies								
Budget Authority	3.6	0.0	0.0	0.0	0.0	0.0	0.0	3.6
Estimated Outlays	*	1.9	0.7	0.5	0.2	0.1	*	3.5
Subtotal								
Budget Authority	20.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0
Estimated Outlays	0.1	13.4	3.9	1.4	0.8	0.2	0.1	19.9
Additional Spending in the 13 Regular 2002 Appropriations Acts								
DoD Counter-Terrorism Transfer Fund								
Budget Authority	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.5
Estimated Outlays	0.0	0.4	0.1	*	*	0.0	0.0	0.5
Other Agencies								
Budget Authority	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Estimated Outlays	0.0	0.2	0.1	*	*	*	0.0	0.3
Subtotal								
Budget Authority	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.7
Estimated Outlays	0.0	0.5	0.1	*	*	*	0.0	0.7

(Continued)

TABLE 1. CONTINUED

	2001	2002	2003	2004	2005	2006	2007	Total, 2001- 2007
P.L. 107-117, Department of Defense and Emergency Supplemental Appropriations Act for Recovery From and Response to Terrorist Attacks, 2002								
Department of Defense								
Budget Authority	0.0	3.5	0.0	0.0	0.0	0.0	0.0	3.5
Estimated Outlays	0.0	2.3	0.7	0.3	0.1	*	*	3.5
Department of Justice								
Budget Authority	0.0	2.1	0.0	0.0	0.0	0.0	0.0	2.1
Estimated Outlays	0.0	0.9	0.7	0.4	0.1	*	0.0	2.1
FEMA								
Budget Authority	0.0	4.6	0.0	0.0	0.0	0.0	0.0	4.6
Estimated Outlays	0.0	0.1	1.1	1.1	1.1	0.7	0.4	4.6
Department of Transportation								
Budget Authority	0.0	1.3	0.0	0.0	0.0	0.0	0.0	1.3
Estimated Outlays	0.0	0.9	0.4	*	*	*	0.0	1.3
Other Agencies								
Budget Authority	0.0	8.5	0.0	0.0	0.0	0.0	0.0	8.5
Estimated Outlays	0.0	3.7	2.6	1.3	0.5	0.2	0.1	8.5
Subtotal								
Budget Authority	0.0	20.0	0.0	0.0	0.0	0.0	0.0	20.0
Estimated Outlays	0.0	8.0	5.6	3.2	1.8	0.9	0.5	20.0
P.L. 107-206, 2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks on the United States								
Department of Defense								
Budget Authority	0.0	13.2	0.0	0.0	0.0	0.0	0.0	13.2
Estimated Outlays	0.0	5.2	5.2	1.8	0.6	0.2	0.1	13.1
FEMA								
Budget Authority	0.0	3.9	0.0	0.0	0.0	0.0	0.0	3.9
Estimated Outlays	0.0	0.0	0.9	1.1	1.0	0.6	0.4	3.9
Department of Transportation								
Budget Authority	0.0	4.8	0.0	0.0	0.0	0.0	0.0	4.8
Estimated Outlays	0.0	0.3	2.2	0.5	0.4	0.5	0.5	4.4
Other Agencies								
Budget Authority	0.0	2.4	0.0	0.0	0.0	0.0	0.0	2.4
Estimated Outlays	0.0	0.5	0.8	0.7	0.4	0.1	*	2.4

(Continued)

TABLE 1. CONTINUED

	2001	2002	2003	2004	2005	2006	2007	Total, 2001- 2007
Subtotal								
Budget Authority	0.0	24.2	0.0	0.0	0.0	0.0	0.0	24.2
Estimated Outlays	0.0	5.9	9.1	4.1	2.4	1.4	1.1	24.0
Total Discretionary Budget Authority	20.0	45.0	0.0	0.0	0.0	0.0	0.0	65.0
Total Estimated Discretionary Outlays	0.1	27.8	18.7	8.7	5.0	2.5	1.6	64.6
CHANGES IN DIRECT SPENDING								
P.L. 107-42, Air Transportation Safety and System Stabilization Act								
Estimated Budget Authority	5.2	2.9	2.9	0.0	0.0	0.0	0.0	11.0
Estimated Outlays	2.5	5.6	2.9	0.0	0.0	0.0	0.0	11.0
P.L. 107-56, USA PATRIOT Act of 2001								
Estimated Budget Authority	0.0	0.1	-0.2	-0.2	0.2	0.3	*	0.2
Estimated Outlays	0.0	0.1	-0.2	-0.2	0.2	0.3	*	0.2
TOTAL CHANGES IN SPENDING								
Estimated Budget Authority	25.2	48.0	2.7	-0.2	0.2	0.3	*	76.1
Estimated Outlays	2.7	33.5	21.4	8.5	5.2	2.8	1.7	75.8
CHANGES IN REVENUES								
P.L. 107-42, Air Transportation Safety and System Stabilization Act	-0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
P.L. 107-134, Victims of Terrorism Tax Relief Act of 2001	0.0	-0.2	-0.1	*	*	*	*	-0.3
P.L. 107-147, Job Creation and Worker Assistance Act of 2002 (New York City Assistance)	0.0	-0.5	-0.8	-0.6	-1.0	-1.3	-0.6	-4.8
Total Changes in Revenues	-0.5	-0.2	-0.9	-0.6	-1.0	-1.3	-0.6	-5.1
CHANGES IN BUDGET TOTALS								
Estimated Total (increase in outlays plus decrease in revenues)	3.1	33.7	22.3	9.2	6.2	4.0	2.2	80.8

NOTES: P.L. = Public Law; FEMA = Federal Emergency Management Agency.

* = Less than \$50 Million.

Numbers may not add up to totals because of rounding.

TABLE 2. ESTIMATED IMPACT OF LEGISLATION ENACTED IN RESPONSE TO SEPTEMBER 11 ON THE CBO'S AUGUST 2002 BASELINE (By fiscal year, in billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003- 2012
CHANGES IN DISCRETIONARY SPENDING													
P.L. 107-38, 2001 Emergency Supplemental Appropriations Act													
Budget Authority	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Outlays	0.1	13.4	3.9	1.4	0.8	0.2	0.1	*	0.0	0.0	0.0	0.0	6.4
Additional Spending in the 13 Regular 2002 Appropriations Acts													
Budget Authority	0.0	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	8.3
Estimated Outlays	0.0	0.5	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	8.1
P.L. 107-117, Department of Defense and Emergency Supplemental Appropriations Act													
Budget Authority	0.0	20.0	20.4	20.8	21.3	21.8	22.4	22.9	23.5	24.0	24.6	25.2	227.1
Estimated Outlays	0.0	8.0	14.1	17.4	19.5	20.7	21.8	22.3	22.9	23.4	24.0	24.6	210.8
P.L. 107-206, 2002 Supplemental Appropriations Act													
Budget Authority	0.0	24.2	25.9	26.5	27.2	27.9	28.6	29.3	30.1	30.9	31.7	32.5	290.6
Estimated Outlays	0.0	5.9	22.6	22.8	24.7	26.0	27.1	27.9	28.3	29.0	30.0	30.4	268.9
Total Discretionary Budget Authority	20.0	45.0	47.1	48.1	49.3	50.5	51.8	53.1	54.4	55.8	57.2	58.6	525.9
Total Estimated Discretionary Outlays	0.1	27.8	41.2	42.5	45.8	47.7	49.8	51.1	52.1	53.3	54.9	55.9	494.2
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	5.2	3.0	2.7	-0.2	0.2	0.3	*	*	*	*	*	*	3.1
Estimated Outlays	2.5	5.7	2.7	-0.2	0.2	0.3	*	*	*	*	*	*	3.1
TOTAL CHANGES IN SPENDING													
Estimated Budget Authority	25.2	48.0	49.7	48.0	49.5	50.8	51.8	53.1	54.4	55.8	57.2	58.7	529.0
Estimated Outlays	2.7	33.5	43.9	42.3	45.9	48.0	49.8	51.1	52.1	53.4	54.9	55.9	497.3
CHANGES IN REVENUES													
Estimated Revenues	-0.5	-0.2	-0.9	-0.6	-1.0	-1.3	-0.6	-0.2	-0.2	*	*	*	-4.7
CHANGES IN BUDGET TOTALS													
Estimated Total (increase in outlays plus decrease in revenues)	3.1	33.7	44.8	42.9	47.0	49.2	50.3	51.3	52.3	53.4	54.9	55.9	502.0

NOTES: P.L. = Public Law.

* = Less than \$50 million.

Numbers may not add up to totals because of rounding.

TABLE 3. ALTERNATIVE PROJECTION OF COSTS IN RESPONSE TO SEPTEMBER 11
(By fiscal year, in billions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Totals, 2003- 2012
CHANGES IN DISCRETIONARY SPENDING													
P.L. 107-38, 2001 Emergency Supplemental Appropriations Act													
Budget Authority	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Outlays	0.1	13.4	3.9	1.4	0.8	0.2	0.1	*	0.0	0.0	0.0	0.0	6.4
Additional Spending in the 13 Regular 2002 Appropriations Acts													
Budget Authority	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Outlays	0.0	0.5	0.1	*	*	*	0.0	0.0	0.0	0.0	0.0	0.0	0.2
P.L. 107-117, Department of Defense and Emergency Supplemental Appropriations Act													
Budget Authority	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Outlays	0.0	8.0	5.6	3.2	1.8	0.9	0.5	*	0.0	0.0	0.0	0.0	12.0
P.L. 107-206, 2002 Supplemental Appropriations Act													
Budget Authority	0.0	24.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Outlays	0.0	5.9	9.1	4.1	2.4	1.4	1.1	0.4	*	*	*	*	18.4
Subtotal-Legislative Action to Date													
Budget Authority	20.0	45.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Outlays	0.1	27.8	18.7	8.7	5.0	2.5	1.6	0.4	*	*	*	*	37.0
President's 2003 Budget Request Adjusted for Inflation in Subsequent Years													
Department of Defense													
Budget Authority	0.0	0.0	24.4	25.1	25.7	26.4	27.1	27.8	28.5	29.3	30.1	30.9	275.1
Estimated Outlays	0.0	0.0	16.3	22.5	24.8	25.8	26.6	27.4	28.1	28.9	29.6	30.4	260.3
Nondefense Agencies													
Budget Authority	0.0	0.0	13.5	13.8	14.2	14.6	14.9	15.3	15.7	16.1	16.5	16.9	151.5
Estimated Outlays	0.0	0.0	9.0	12.3	13.6	14.2	14.6	15.0	15.4	15.9	16.2	16.7	142.9
Total Discretionary Budget Authority	20.0	45.0	37.9	38.9	39.9	40.9	42.0	43.1	44.2	45.4	46.6	47.8	426.6
Total Estimated Discretionary Outlays	0.1	27.8	44.0	43.5	43.4	42.5	42.9	42.8	43.6	44.7	45.9	47.1	440.3
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	5.2	3.0	2.7	-0.2	0.2	0.3	*	*	*	*	*	*	3.1
Estimated Outlays	2.5	5.7	2.7	-0.2	0.2	0.3	*	*	*	*	*	*	3.1

Continued

TABLE 3. CONTINUED

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total, 2003- 2012
TOTAL CHANGES IN SPENDING													
Estimated Budget Authority	25.2	48.0	40.6	38.7	40.1	41.2	42.0	43.1	44.2	45.4	46.6	47.8	429.6
Estimated Outlays	2.7	33.5	46.7	43.3	43.5	42.8	42.9	42.9	43.6	44.7	45.9	47.1	443.4
CHANGES IN REVENUE													
Estimated Revenues	-0.5	-0.2	-0.9	-0.6	-1.0	-1.3	-0.6	-0.2	-0.2	*	*	*	-4.7
CHANGES IN BUDGET TOTALS													
Estimated Total (increase in outlays plus decrease in revenues)	3.1	33.7	47.6	43.9	44.6	44.0	43.5	43.0	43.8	44.7	45.9	47.1	448.1

NOTES: P.L. = Public Law.

* = Less than \$50 million.

Numbers may not add up to totals because of rounding.

TABLE 4. SUMMARY OF SELECTED CBO COST ESTIMATES FOR HOUSE BILLS RELATED TO SEPTEMBER 11 TERRORIST ATTACKS

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
H.R. 5005 - Homeland Security Act of 2002						
Estimated Authorization Level	0	781	1,252	834	856	960
Estimated Outlays	0	586	867	936	991	1,095
H.R. 3253 - Department of Veterans Affairs Emergency Preparedness Research, Education, and Bio-Terrorism Prevention Act of 2002						
Authorization Level	0	20	20	20	20	20
Estimated Outlays	0	12	16	19	20	20
H.R. 3482 - Cyber Security Enhancement Act of 2002						
Authorization Level	0	125	0	0	0	0
Estimated Outlays	0	88	38	0	0	0
H.R. 3394 - Cyber Security Research and Development Act						
Authorization Level	1	105	152	184	206	n.a.
Estimated Outlays	1	30	85	134	170	n.a.
H.R. 4635 - Arming Pilots Against Terrorism Act						
Estimated Authorization Level	0	5	12	13	13	13
Estimated Outlays	0	3	6	12	13	13
H.R. 3429 - Over-the-Road Bus Security and Safety Act of 2001						
Authorization Level	200	200	200	0	0	0
Estimated Outlays	1	89	140	180	120	60
H.R. 3983 - Maritime Transportation Antiterrorism Act of 2002						
Estimated Authorization Level	0	78	78	78	3	3
Estimated Outlays	0	28	53	78	54	27
H.R. 3178 - Water Infrastructure Security and Research Development Act						
Estimated Authorization Level	12	12	12	12	12	n.a.
Estimated Outlays	5	10	12	12	12	n.a.

(Continued)

TABLE 4. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
H.R. 3609 - Pipeline Infrastructure Protection to Enhance Security and Safety Act						
Estimated Net Authorization Level	0	41	39	34	32	0
Estimated Outlays	0	18	35	31	30	27
H.R. 4770 - Ronald C. Sheffield Federal Property Protection Act of 2002						
Estimated Authorization Level	0	7	6	7	7	7
Estimated Outlays	0	7	6	7	7	7
H.R. 3230 - American Small Business Emergency Relief and Recovery Act of 2001						
Estimated Authorization Level	1,710	105	1	1	1	n.a.
Estimated Outlays	694	729	145	2	0	n.a.
H.R. 3016 - A bill to amend the Antiterrorism and Effective Death Penalty Act of 1996 ^a						
Estimated Authorization Level	7	15	15	16	16	n.a.
Estimated Outlays	2	14	16	16	16	n.a.
CHANGES IN DIRECT SPENDING						
H.R. 5005 - Homeland Security Act of 2002						
Estimated Budget Authority	0	1	3	1	0	0
Changes in Outlays	0	1	3	1	0	0
H.R. 3230 - American Small Business Emergency Relief and Recovery Act of 2001						
Estimated Budget Authority	1,318	0	0	0	0	0
Changes in Outlays	1,318	0	0	0	0	0
H.R. 3210 - Terrorism Risk Protection Act						
Estimated Budget Authority	800	1,700	2,200	1,700	900	500
Estimated Outlays	800	1,700	2,200	1,700	900	500

(Continued)

TABLE 4. CONTINUED

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
CHANGES IN REVENUES						
H.R. 3210 - Terrorism Risk Protection						
Estimated Revenues	0	100	200	500	600	700

NOTE: n.a. = not available.

- a. A bill to amend the Antiterrorism and Effective Death Penalty Act of 1996 with respect to the responsibilities of the Secretary of Health and Human Services regarding biological agents and toxins, and to amend title 18, United States Code, with respect to such agents and toxins, to clarify the application of cable television system privacy requirements to new cable services, to strengthen security at certain nuclear facilities, and for other purposes.